

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(The figures below are unaudited)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current Quarter 30 September 2016 RM'000	Preceding Year Corresponding Quarter 30 September 2015 RM'000	Current Year to date 30 September 2016 RM'000	Preceding Year Corresponding Period 30 September 2015 RM'000
Revenue	8,815	5,254	8,815	5,254
Cost of sales	(6,746)	(4,033)	(6,746)	(4,033)
Gross profit	2,069	1,221	2,069	1,221
Other income	359	1,319	359	1,319
Operating expenses	(2,332)	(1,076)	(2,332)	(1,076)
Profit/(Loss) from operations	96	1,464	96	1,464
Finance costs	(54)	(41)	(54)	(41)
Profit/(Loss) before taxation	42	1,423	42	1,423
Tax credit/(expense)	-	-	-	-
Profit/(Loss) for the financial period	42	1,423	42	1,423
Other Comprehensive Income/(Loss), net of tax				
Foreign currency translation	(340)	(335)	(340)	(335)
Total Comprehensive Income/(Loss) For The Financial Period	(298)	1,088	(298)	1,088
Income attributable to:				
Owners of the Parent	42	1,423	42	1,423
Non-controlling interest	-	-	-	-
	42	1,423	42	1,423
Total comprehensive income attributable to:				
Owners of the Parent	(298)	1,088	(298)	1,088
Non-controlling interest	-	-	-	-
	(298)	1,088	(298)	1,088
Profit per share (sen)				
Basic (note B13)	0.01	0.12	0.01	0.12
Diluted (note B13)	0.01	0.12	0.01	0.12

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHAD

Company No.661826-K
(Incorporated In Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	(Unaudited) As at 30 September 2016 RM'000	(Audited) As at 30 June 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	37,473	36,245
Inventories		
Deferred tax assets	489	489
	37,962	36,734
Current assets		
Inventories	5,418	5,305
Short term Investment	5,231	501
Property development cost	20,317	16,589
Trade and other receivables	70,531	72,845
Tax assets	589	551
Cash and cash equivalents	70,566	21,443
	172,652	117,234
TOTAL ASSETS	210,614	153,968
EQUITY AND LIABILITIES		
EQUITY		
Share capital	85,841	28,614
Retained earnings/(Accumulated losses)	65,666	91,963
Share premium	14,087	8,365
Warrant reserve	36,257	10,211
ICULS	685	685
Exchange translation reserve	(781)	(442)
Equity attributable to owners of the parent	201,755	139,396
Non-current liabilities		
Borrowings	1,260	689
Deferred tax liabilities	1,922	1,921
	3,182	2,610
Current liabilities		
Trade and other payables	5,608	11,048
Borrowings	69	914
Tax liabilities	-	-
	5,677	11,962
TOTAL LIABILITIES	8,859	14,572
TOTAL EQUITY AND LIABILITIES	210,614	153,968
Net assets per share attributable to owners of the parent (RM)	0.24	0.49

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED
30 SEPTEMBER 2016**

	← Attributable to Owners of the Parent →					Accumulated Losses RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Translation reserve RM'000	Warrant reserve RM'000	ICULS RM'000		
At 1 July 2016	28,614	8,365	(441)	10,211	685	91,963	139,397
Profit/(Loss) for the financial period	-	-	-	-	-	42	42
Foreign currency translation	-	-	(340)	-	-	-	(340)
Issuance and listing of Rights Issue Shares with Warrants D	57,227	5,722	-	26,046	-	(26,339)	62,656
At 30 September 2016	85,841	14,087	(781)	36,257	685	65,666	201,755
At 1 July 2015	114,400	8,365	(295)	32,949	731	(20,396)	135,754
Profit/(Loss) for the financial year	-	-	(146)	-	-	3,780	3,634
Foreign currency translation	-	-	-	-	-	-	-
ICULS	55	-	-	-	(46)	-	9
Effect of par value reduction	(85,841)	-	-	(22,738)	-	108,579	-
At 30 June 2016	28,614	8,365	(441)	10,211	685	91,963	139,397

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and accompanying explanatory notes attached to the interim financial statements.)

SANICHI TECHNOLOGY BERHADCompany No.661826-K
(Incorporated In Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED
30 SEPTEMBER 2016**

(The figures below are unaudited)

	Current Year to 30 September 2016 RM'000	Preceding Year Corresponding Period to 30 September 2015 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	42	6,844
Adjustments for:-		
Bad debts written off	-	193
Depreciation of property, plant and equipment	868	3,259
Fair value changes in short term investment	-	119
Interest expenses	-	248
Interest income	(40)	(141)
Loss/(gain) on disposal of property, plant and equipment	-	19
Prepayment written off	-	-
Share-based payments	-	-
Unrealised loss/(gain) on foreign exchange	(329)	593
Operating profit/(loss) before working capital changes	541	11,134
Property development costs	(3,728)	(4,159)
Inventories	(113)	5,565
Receivables	2,014	(18,549)
Payables	(4,815)	6,937
Cash used in operations	(6,101)	928
Interest received	-	141
Tax paid	-	(663)
Net cash from/(used in) operating activities	(6,101)	406
Cash flows from investing activities		
Purchase of short term investment	(4,730)	(620)
Proceeds from disposal of plant and equipment	-	386
Purchase of plant and equipment	(2,096)	(1,543)
Net cash from/(used in) investing activities	(6,826)	(1,777)
Cash flows from financing activities		
Interest paid	40	(248)
Proceeds from issuance of shares	62,949	-
Repayment of borrowings	(274)	(784)
Net cash from/(used in) financing activities	62,715	(1,032)
Effects of changes in exchange rates	(665)	(745)
Net increase/(decrease) in cash and cash equivalents	49,123	(3,148)
Cash and cash equivalents at beginning of the period	21,443	24,591
Cash and cash equivalents at end of the period	70,566	21,443
Cash and cash equivalents comprise:		
Fixed deposits with licensed banks	15,000	-
Cash and bank balances**	55,566	21,443
	70,566	21,443

** Cash and bank balances include amounts held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966

(The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and accompanying explanatory notes attached to the interim financial statements.)

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A. EXPLANATORY NOTES IN ACCORDANCE WITH FRS 134

A1. Basis of Preparation

The unaudited condensed interim financial statements for the first quarter ended 30 September 2016 have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) No. 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market (“ACE Listing Requirements”). The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of Sanichi Technology Berhad (“Sanichi” or “Company”) and its subsidiaries (collectively known as “Sanichi Group” or “Group”) for the financial year ended (“FYE”) 30 June 2016.

The significant accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2016, except in the current financial year, the Group has adopted all the new and revised standards which are effective for the financial year beginning 1 July 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

A2. Seasonality or Cyclical Factors

The Group’s operations for the current quarter under review were not significantly affected by any seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

Except for the issuance and listing of Rights Issue Shares with Warrants D detailed in note B7, during the quarter, there were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence.

A4. Material Change in Estimates

There were no materials changes in estimates of amounts reported in prior financial years that have a material effect on the results for the quarter under review.

A5. Issuances, Repurchases and Repayments of Debt and Equity Securities

Except for the issuance and listing of Rights Issue Shares with Warrants D detailed in note B7, during the quarter, there were no issuances, repurchases and repayments of debt and equity securities.

A6. Dividend Paid

There was no dividend paid during the quarter under review.

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A7. Segmental Information

The board views the Group has a single business segment from the geographic perspective. The reportable segments are Malaysia and Thailand. The Malaysian segment is in design and fabrication of precision moulds and tooling, and property development. The Thailand segment is in design and fabrication of precision moulds and tooling only.

The Group 30 Sept 2016	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	8,370	445	-	8,815
Inter segment sales	-	-	-	-
Total revenue	<u>8,370</u>	<u>445</u>	<u>-</u>	<u>8,815</u>
Results				
Profit from operations	88	8	-	96
Finance cost	(54)	-	-	(54)
Income from other investment	-	-	-	-
Profit before tax				<u>42</u>
Income tax				-
Net profit for the period				<u>42</u>
Other Information				
Additions of fixed assets	2,096	-	-	2,096
Depreciation and amortization	833	35	-	868
Consolidated Balance Sheet Assets				
Segment assets	208,523	2,091	-	210,614
Segment liabilities	8,626	233	-	8,859

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The Group 30 Sept 2015	Malaysia RM'000	Thailand RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External sales	4,286	968	-	5,254
Inter segment sales	-	-	-	-
Total revenue	<u>4,286</u>	<u>968</u>	<u>-</u>	<u>5,254</u>
Results				
Profit from operation	1,435	29	-	1,464
Finance cost	(41)	-	-	<u>(41)</u>
Profit before tax				1,423
Income tax expenses				<u>-</u>
Net profit for the period				<u>1,423</u>
Other Information				
Additions of fixed assets	751	-	-	751
Depreciation and amortization	764	38	-	802
Consolidated Balance Sheet Assets				
Segment assets	141,098	3,075	-	144,173
Segment liabilities	5,284	1,995	-	7,279
Segment sales				
			Current Quarter 30.09.2016 RM'000	Preceding Year Corresponding Quarter to 30.09.2015 RM'000
European countries			8,370	4,287
Other countries in Asia Pacific			445	967
			<u>8,815</u>	<u>5,254</u>

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Segment sales	Current Year To date 30.09.2016 RM'000	Preceding Year Corresponding Period to 30.09.2015 RM'000
European countries	8,370	4,287
Other countries in Asia Pacific	445	967
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	8,815	5,254

A8. Material Events Subsequent to the End of the Quarter under Review

There were no material events subsequent to the end of the quarter under review.

A9. Changes in the Composition of the Group

During the quarter under review, other than the incorporation of two subsidiaries that remain dormant as of the date of this report, there were no significant changes in the composition of the Group.

A10. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date up to the date of this report.

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B. ADDITIONAL INFORMATION REQUIRED BY ACE LISTING REQUIREMENTS (APPENDIX 9B)

B1. Review of Group's Results for the Current Quarter and Year-to-Date Ended 30 September 2016

The Group recorded a revenue of RM 8.815 million for the quarter ended 30 September 2016. The Group's profit before tax ("PBT") and profit after tax ("PAT") for the quarter were RM 0.042 million and RM 0.042 million for the period respectively.

The Group's revenue of RM 8.815 million for the year to date 30 September 2016 represents an increase of approximately 67% as compared to the preceding corresponding period. The Group achieved PBT and PAT of RM 0.042 million and RM 0.042 million respectively for the year to date 30 September 2016, as compared to PBT and PAT of RM 1.423 million and RM 1.423 million respectively for the preceding year to date 30 September 2015.

The reason for the Group's higher revenue for the current year to date was mainly due to timing differences resulting in certain tooling job completion dates falling within the year to date 30 September 2016. However, higher advertising and promotion expenses for the Marina Point mixed development resulted in lower profit from operations for the year to date 30 September 2016 at RM 0.042 million, which includes unrealized foreign exchange gains of RM 0.329 million. Combined with an adverse foreign currency translation of RM 0.340 million, the Group recorded a Total Comprehensive Loss of RM 0.298 million

B2. Variation of Results for the Current Quarter Ended 30 September 2016 against Immediate Preceding Quarter

The Group recorded a decrease of approximately 43% in its revenue to RM 8.815 million for the quarter ended 30 September 2016 against RM 15.707 million for the immediate preceding quarter ended 30 June 2016. The Group registered PBT and PAT of RM 0.042 million and RM 0.042 million respectively for the current quarter ended 30 September 2016, as compared to PBT and PAT of RM 3.491 million and RM 0.165 million respectively in the immediate preceding quarter ended 30 June 2016.

The Group recorded a decrease in revenue by approximately RM 6.892 million for the current quarter under review as compared to preceding quarter ended 30 June 2016. The reason for the Group's lower revenue for the current quarter was mainly due to timing differences resulting in a lower number of tooling job completion dates falling within the quarter ended 30 September 2016.

B3. Group's Prospects for FYE 30 June 2017

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the financial year ending 30 June 2017. Volatility of foreign exchange rates will continue to impose challenges for the Group's tooling business as a significant percentage of its revenue is derived from overseas markets.

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B4. Variance of Profit Forecast

The Group did not publish any profit forecast for the period/year under review.

B5. Tax Expenses

Taxation comprises the following:-

	Individual quarter ended		Cumulative quarter ended	
	30	30	30	30
	September	September	September	September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:-				
Current taxation	-	-	-	-
Deferred taxation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
In respect of the previous period:-				
Taxation	-	-	-	-
Deferred taxation	-	-	-	-
Net tax charge/(credit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

B6. Profit/(Losses) on Sale of Unquoted Investments and Properties

There was no disposal of unquoted investments and properties during the quarter under review and financial year-to-date.

B7. Status of Corporate Proposals Announced

On behalf of the Board of Directors of Sanichi, Public Investment Bank Berhad had on 1 October 2014 announced that the Company's Rights Issue with Warrants C had been completed following the listing and quotation of 521,957,503 Rights Shares and 347,971,517 Warrants C on the ACE Market of Bursa Securities on 1 October 2014

On behalf of the Board of Directors of Sanichi, Mercury Securities Sdn Bhd had on 29 July 2016, Mercury Securities announced that the Company's Rights Issue with Warrants D had been completed following the listing and quotation of 572,273,460 Rights Shares and 286,136,730 Warrants D as well as 6,054,595 additional Warrants B and 34,889,061 additional Warrants C on the ACE Market of Bursa Securities on 29 July 2016.

Status of Utilisation of Proceeds

(A) Rights Issue with Warrants C

The gross proceeds of RM 52,196,000 from the Rights Issue with Warrants C has been fully utilized as at 30 September 2016.

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(B) Rights Issue with Warrants D

On behalf of the Board of Directors of Sanichi, Mercury Securities Sdn Bhd had on 29 July 2016, Mercury Securities announced that the Company's Rights Issue with Warrants had been completed following the listing and quotation of 572,273,460 Rights Shares and 286,136,730 Warrants D as well as 6,054,595 additional Warrants B and 34,889,061 additional Warrants C on the ACE Market of Bursa Securities on 29 July 2016.

Purpose	Proposed Utilisation	Actual Utilisation as at 30/09/2016	Intended Timeframe for Utilisation	Balance Unutilised	
	RM'000	RM'000		RM'000	%
Completing the construction of a factory building	5,500	500	Within eighteen (18) months	5,000	90
Expansion of production capacity	6,000	875	Within twenty four (24) months	5,125	85
Marketing expenses	4,000	1,260	Within twenty four (24) months	2,740	68
Acquisition of properties for investment	36,000	-	Within twenty four (24) months	36,000	100
Acquisition and/or investment in other complementary businesses	4,957	257	Within twenty four (24) months	4,700	95
Working capital	5,493	1,322	Within twenty four (24) months	4,171	76
Estimated expenses for the corporate exercise	1,000	1,000	Immediate	-	-
	62,950	5,214		57,736	92

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B8. Group Borrowings and Debt Securities

The Group's borrowings, all repayable in Ringgit Malaysia and secured, as at the end of the quarter under review are as follows:

	RM'000
<u>Short Term Borrowings</u>	
Term Loans	927
Hire Purchase Payables	24
	<hr/>
	951
<u>Long Term Borrowings</u>	
Term Loans	205
ICULS	128
Hire Purchase Payables	45
	<hr/>
	378
	<hr/>
Total	<u>1,329</u>

The Group does not have any foreign borrowings and debt securities as at the date of this report.

B9. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

B10. Material Litigation

There was no material litigation involving the Group as at the date of this report.

B11. Dividend Proposed

No dividend was declared and recommended for payment during the quarter under review.

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B12. Earnings Per Share (“EPS”)

Basic EPS

	Current quarter ended		Cumulative quarter ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Net profit for the period (RM'000)	42	1,423	42	1,423
Weighted average number of shares in issue ('000)	858,410	1,144,334	858,410	1,144,334
Basic EPS (sen)	<u>0.01</u>	<u>0.12</u>	<u>0.01</u>	<u>0.12</u>

Basic EPS is calculated by dividing the net profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

Diluted EPS

Diluted earnings per share of the Group is calculated by dividing the profit for the financial period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares.

The diluted earnings per share is the same as basic earnings per share as the exercise prices of warrant, ICULS and ESOS are higher than the average market price of the ordinary shares during the financial period.

B13. Retained Profits/(Accumulated Losses)

	As at 30 September 2016 RM'000	As at 30 September 2015 RM'000
Realized (Loss) / Gain	43,789	(40,512)
Unrealized (Loss) / Gain	1,255	687
	<hr/>	<hr/>
Less Consolidation adjustments	45,044	(39,825)
	20,622	20,852
	<hr/>	<hr/>
Total group retained profit	<u>65,666</u>	<u>(18,973)</u>

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B14. Comprehensive Income Disclosure

	Current quarter ended		Cumulative quarter ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Interest income	-	53	-	53
Interest expense	(40)	(41)	(40)	(41)
Depreciation and amortization	(868)	(802)	(868)	(802)
Unrealized (Loss) / Gain on foreign exchange	329	687	329	687
Realized gain/ (loss) on foreign exchange	73	526	73	526

B15. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Company and its subsidiaries for the FYE 30 June 2016 were not subject to any qualification.